

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2076-03
Bill No.: Perfected HCS for HB 863
Subject: Cities, Towns and Villages.
Type: Original
Date: April 21, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund*	\$0	\$0	\$0

* Fund has offsetting income and expenses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Downtown Revitalization Preservation*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

* Fund has offsetting income and expenses.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and the **Office of the State Treasurer** each assume the proposal would not fiscally impact their respective agencies.

In response to a previous version of this proposal, officials from the **Office of Secretary of State (SOS)** assumed there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimated the division could require approximately 4 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 6 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$246, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Budget and Planning** deferred to the Department of Economic Development.

Officials from the **Department of Economic Development (DED)** stated the bill creates \$15 million annually in TIF funding that comes from new revenue. DED is allowed to recover costs of reviewing projects. DED does not project initial costs but anticipates asking for a budgeted position and expenditure authority through the normal budget cycle as the program grows.

DED makes no assumption with regard to fiscal and has no administrative impact at this time.

Oversight assumes this program will annually transfer up to \$15 million of the new state revenues received as a result of the projects back to the local political subdivisions, much like the current tax increment financing programs and the Missouri Downtown Economic Stimulus Act. It is indeterminable whether the developments within the projects would have occurred elsewhere in the state, if not but for the implementation of this program. If the development would have occurred elsewhere in the state if not for this proposal, then this program will result in a loss of up to \$15 million in state revenues annually that the state would have been able to keep if not for this proposal. If the developments would not have occurred in the state if not for this program, then the state's loss of up to \$15 million in new revenues that goes back to the local projects will be offset by the up to \$15 million in new revenues the state may receive because of this proposal.

Oversight assumes that since the proposal requires the Department of Revenue to annually submit the first \$15 million of other net new revenues generated by developments from the plan into the state downtown revitalization preservation fund, that these monies would not be initially deposited into General Revenue, but rather go directly into their respective funds.

Oversight assumes revenue that is received by the local political subdivisions from the new fund may fall short of the project development costs. Oversight will range the fiscal impact to local political subdivisions from \$0 (economic activity taxes meet project development costs) to a negative Unknown (project development costs exceed economic activity taxes).

Officials from the cities of **Columbia** and **Raytown** did not respond to our request for fiscal impact.

ASSUMPTION (continued)

Oversight acknowledges that the proposal is designed to stimulate economic development within the state with the purpose of generating additional future state revenues. However, Oversight cannot determine or estimate the magnitude of the future benefit the state may realize because of these programs.

This proposal may result in a loss of Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Transfer In</u> - from the Downtown Revitalization Preservation fund for recoupment of expenses incurred by state agencies	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Costs</u> - DED, DOR - to administer the Downtown Revitalization Preservation Program	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

DOWNTOWN REVITALIZATION PRESERVATION FUND

<u>Income</u> - net new revenue from approved projects	\$0 to \$15,000,000	\$0 to \$15,000,000	\$0 to \$15,000,000
<u>Transfer Out</u> - to General Revenue Fund for recoupment of expenses from DOR and/or DED	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

<u>FISCAL IMPACT - State Government</u>	FY 2006	FY 2007	FY 2008
(continued)	(10 Mo.)		

<u>Costs</u> - to Municipalities for development projects	\$0 to <u>(\$15,000,000)</u>	\$0 to <u>(\$15,000,000)</u>	\$0 to <u>(\$15,000,000)</u>
---	---------------------------------	---------------------------------	---------------------------------

**ESTIMATED NET EFFECT TO THE
 DOWNTOWN REVITALIZATION
 PRESERVATION FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
-------------------	-------------------	-------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2006	FY 2007	FY 2008
	(10 Mo.)		

LOCAL POLITICAL SUBDIVISIONS

<u>Transfer In</u> - from State Revitalization Preservation Fund - to reimburse project development costs	\$0	\$0 to \$15,000,000	\$0 to \$15,000,000
---	-----	------------------------	------------------------

<u>Costs</u> - project development costs for Downtown Revitalization Preservation Program	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
---	------------------	------------------	------------------

**ESTIMATED NET EFFECT TO THE
 LOCAL POLITICAL SUBDIVISIONS**

<u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
------------------	--	--

FISCAL IMPACT - Small Business

This proposal would impact small businesses that are within a designated development areas as defined by the municipality's authorities

DESCRIPTION

This proposal creates the Downtown Revitalization Preservation Program.

Municipalities may submit applications to the Department of Economic Development for review and submission of an analysis and recommendation. Payments will be made from the new fund consisting of payments in lieu of taxes as well as sales taxes to pay development costs as well as obligations issued to finance the project.

The Department of Revenue shall annually submit the first \$15 million of other net new revenues generated by these approved development projects to be distributed back to the project obligations and other project costs. Projects receiving disbursements from this fund will be limited to receiving such disbursements for twenty years, unless other approval is granted by DED.

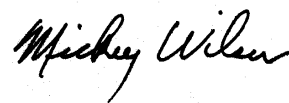
The Department of Economic Development, Department of Revenue and the Missouri Development Finance Board will be able to recoup costs associated with a project by receiving a portion of the net new revenues deposited into the new fund.

This legislation is not federally mandated and would not require additional capital improvements or rental space. The proposal may duplicate an existing program (Missouri Downtown Economic Stimulus Act).

SOURCES OF INFORMATION

Department of Revenue
Office of the State Treasurer
Office of the Secretary of State
Department of Economic Development
Office of Administration - Budget and Planning

NOT RESPONDING: cities of Columbia and Raytown



Mickey Wilson, CPA

L.R. No. 2076-03
Bill No. Perfected HCS for HB 863
Page 7 of 7
April 21, 2005

Director
April 21, 2005